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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. [redacted] 108

SEARS, ROEBUCK AND CO.,
Petitioner,

vs.

THE STIFFEL COMPANY,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI.

WARREN C. HORTON,
MARSHALL W. SUTKER,
208 S. LaSalle Street,
Chicago 4, Illinois,
MAX R. KRAUS,
105 W. Adams Street,
Chicago, Illinois,
Attorneys for Respondent.

THE GUNTHORP-WARREN PRINTING COMPANY, CHICAGO

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1962.

No. 1020.

SEARS, ROEBUCK AND CO.,

Petitioner,

vs.

THE STIFFEL COMPANY,

Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI.

FOREWORD.

The petition for certiorari herein is clearly without merit when considered in the light of the actual record herein. The petition omits most pertinent facts as found and affirmed below and half-states other facts in an apparent effort to make it fit a pattern desired by the petitioner but actually contrary to the case as presented, decided and affirmed by the District Court and the Court of Appeals. The alleged "Question Presented" as stated in the petition is not, never has been and never could be an issue in this case. There is no possible constitutional issue involved. At most there is merely a factual issue as to which there have been concurrent findings below contrary to petitioner's present position.

STATEMENT.

Petitioner is fundamentally wrong in its petition when it states that the unfair competition found below comprised petitioner's copying of the subject matter of an invalid or "terminated" patent. It was petitioner's intentional copying of respondent's product in every detail, without identification of source, resulting in actual confusion and likelihood of confusion, which was the basis for the finding of unfair competition. Petitioner was not and is not enjoined from making products defined in any patent claim. It is enjoined from "unfair competition" in copying respondent's products, not its patents, and in failing so to identify petitioner's products as to source in such manner as to avoid confusion. Petitioner has every right of the public generally to make pole lamps providing only that it do so "fairly" marketing them in such manner as to avoid confusion as to source of the product.

In January 1956 at a trade show in Chicago, respondent, a manufacturer of high-quality lamps, introduced a new and original portable lamp, of its own design, which introduced into the lamp industry for the first time the now widely known and widely sold "pole lamps". That lamp comprised a uniquely contoured demountable pole having compressive sections which maintained it in upright position extending between a floor and a ceiling and which had mounted thereon, with appropriate wiring, a plurality of electric lamps, and which included specially designed and ornamented shades. As the result of respondent's initiative, promotion, advertising and extensive sales ($3,250,000.00 in less than four years, App.[1] 59), "pole lamps" have indeed become a new and very important branch of the lamp industry. As testified to by wholly disinterested lamp buy-

1. By "App." we refer to the full appendix prepared for the Court of Appeals and filed by Petitioner herein.

ers, respondent's original pole lamp was something "new, different and revolutionary in the lamp business at that time" (App. 52). Respondent's pole lamp created a "sensation" at the show and was "very widely accepted" by buyers who attended that show (App. 56).

Within thirty days thereafter, respondent's novel "pole lamp" was made available to and sold to those who buy and sell lamps and lighting fixtures (App. 22). Commencing in the spring of 1956 and during the ensuing months and years that lamp was very widely advertised and sold (App. 59, 60).

Petitioner, as expressly admitted by the head of its national home furnishings department, Mr. Stover (App. 89-91), watched the advent and rapid growth of respondent's sales and market very closely, carefully examining them for mass-marketing possibilities. When it became apparent that respondent's "revolutionary" pole lamp was becoming a very "hot item" which would sell to a "mass market" of the type in which Sears is primarily interested, petitioner, in the words of Mr. Stover, "moved into" that market (App. 90).

Rather than doing so with its own design and own product, petitioner, in August, 1956 (App. 94)[2] took a picture of respondent's commercial pole lamp to Philadelphia, Pennsylvania. There it induced Randolph Metal Works, Inc. to make pole lamps for it which down to the smallest of details were copies of respondent's pole lamp. That was so not only with respect to functional matters, but in the appearance and non-functional distinguishing characteristics, design and dress as well (App. 94, Pl. Ex. 3, 10, 21 a, b, c). Petitioner sold those copies of respondent's product until well after the date upon which this action was filed.

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2. Before respondent even filed application for its first patent, D-180,251, which issued May 7, 1957 (App. 379).

As sold by it, petitioner's copies of respondent's pole lamp were neither marked with any label nor did they bear or indicate the name of the manufacturer (App. 63) or their source of origin.

The evidence fully supported the District Court's undisputed finding that Sears "knowingly copied" respondent's lamp (App. 348, Finding 43) in such detail "as to be scarcely indistinguishable therefrom both in appearance and in functional details. The similarity is so close that confusion between them is likely, and some confusion has already occurred" (App. 348, Finding 42).

The Court of Appeals, in affirming the judgment of the District Court ordering an accounting and restraining petitioner from "unfairly competing with plaintiff" stated that "there is substantial basis in the evidence to support the findings underlying the conclusion that Sears was guilty of unfair competition." The Court noted that petitioner's lamps were "not labelled," and that there was "a remarkable sameness of appearance" between the lamps of the petitioner and the lamps of the respondent, 313 F. 2d 115, 118. The Court further pointed out that "the Sears lamp retails at the wholesale price of the Stiffel lamp." The Court of Appeals found that there was "testimony • • • of customer confusion."

Stating that it was applying the local law, the law of the State of Illinois, and obviously complying with Rule 52(a) of the Federal Rules of Civil Procedure, the Court of Appeals concluded:

> "The finding that there is likelihood of confusion[6] and some actual confusion, as to the source of the lamps, is not clearly erroneous. The conclusion of unfair competition, based on the finding,[7] is not erroneous." [Footnotes omitted.]

Since it was well before the dates upon which respondent's patents relating to pole lamps issued on May 7, 1957

and May 21, 1957,[3] respectively, that Sears commenced and began to carry out its unfair competitive practices, the existence or non-existence of, or even the termination of, respondent's patents had no bearing upon the question of whether petitioner's course of conduct was or was not unfair. It was as a result of that course of conduct initiated by petitioner long before any patents issued,[4] hence long before petitioner knew of their contents or could form a belief with respect to their validity, that the District Court adjudged petitioner guilty of unfair competition and it was in that context that the Court of Appeals affirmed the judgment.

THE QUESTION PRESENTED.

The "question presented" as stated by petitioner is not and never has been an actual issue in this case. No constitutional question is involved herein. The Court did not in this case "*perpetually* enjoin the sale of copies of a patented device after the patent covering the device has been judicially terminated" as petitioner phrases it. The Court enjoined only "unfair competition" in the sale of pole lamps. That would be perpetual only if petitioner finds it essential to be unfair in its competitive practice. The Court leaves petitioner free to make and sell the subject matter disclosed and claimed in the patents, provided only that it do so in a fair and honest manner. Why should petitioner pretend that it has any right under the Constitution or otherwise to compete other than fairly?

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3. In affirming the District Court's judgment on the unfair competition issue, the Court of Appeals also affirmed the judgment holding invalid respondent's mechanical patent, U. S. Patent 2,793,286 issued May 21, 1957 and its design patent, U. S. Patent D-180,251, issued May 7, 1957.

4. So also was it before the applications for the design and mechanical patents were filed on August 22 and January 30, 1956, respectively, that Sears knew of and had seen respondent's pole lamp.

There is no valid question presented in the petition viewed in the light of the factual background. If there be any question, it would more correctly be:

> Where a manufacturer has engaged in unfair competition with a competitor, so concealing the source of origin of his goods as to result in actual confusion and likelihood of confusion of the consumer public, does he have the right to continue or to resume his unfair acts if a subsequently granted patent to his competitor is terminated?

ARGUMENT.

Both the District Court and the Court of Appeals in this case applied the local law, the law of the State of Illinois, pertinent to unfair competitive practices in concluding that petitioner was guilty of having unfairly competed with respondent. In dealing with matters of local law, and "local law applies" to "unfair competition and common law 'trademark infringement' " cases, *Pecheur Lozenge Co.* v. *National Candy Co.*, 315 U. S. 666, 667, that is the proper procedure to follow, *Erie Railroad Co.* v. *Tompkins*, 304 U. S. 64.

The Court of Appeals noted that under the prevailing law of unfair competition in the State of Illinois it is unnecessary to establish "palming off" or "secondary meaning." Rather the question under Illinois law is one of "likelihood of confusion as to the source of the products," 313 F. 2d 115, 118. The Court cited its earlier decision in *Independent Nail & Packing Co.* v. *Stronghold Screw Products*, 205 F. 2d 921, 926 (CA 7, 1953), a case in which it had discussed the Illinois cases and law in some detail and had concluded that the general test of unfair competition "under the Illinois law" was whether defendant's acts were "likely to cause confusion in the trade as to the source of products, or is likely to lead the public to believe that the defendant is in some way connected with the plaintiff."[5]

5. That is not an unusual or peculiar measure of the fairness or unfairness of competitive practices. The criterion in trademark infringement actions involving federally registered trademarks, 15 USC 1114 provides that any person shall be liable in a civil action who shall, without consent:

"(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with

Petitioner does not quarrel with the propriety of using "likelihood of confusion or deception" rather than "secondary meaning" or "palming off" as the fundamental measure of unfair competition, as indeed it cannot in a matter of local law.

Because it cannot properly challenge the general law of unfair competition applied in this case, petitioner sets up a fictitious straw-man to be knocked down. The impression it seeks to create is that the law of Illinois is that the mere copying of the teaching of an invalid or expired patent is in and of itself unfair competition. To create that illusion it distorts and twists both the language and the import of the decision of the Court of Appeals in the instant case as well as the decision in an entirely unrelated and factually different case, the case of *Day-Brite Lighting, Inc.* v. *Compco Corporation*, 311 F. 2d 26 (CA 7, 1962).

In the instant case the Court of Appeals correctly observed that it is "no longer the law of Illinois" to require a showing of "palming off" or "secondary meaning" in an unfair competition case. Therefore when it concurred in the findings based upon a record demonstrating actual confusion, a failure on the part of Sears to identify its products as its own, copying in such detail that the products of the parties were indistinguishable, and a likelihood of confusion inherent in petitioner's course of conduct, and measured that conduct against the law of Illinois, the Court of Appeals was correct in holding that the "conclusion of unfair competition * * * is not erroneous."

The *Day-Brite*[6] case acknowledges the applicability of the law of Illinois to unfair competition causes heard by the

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the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; * * *"

6. In the *Day-Brite* case, unlike the instant case, defendant "clearly marked" its products as its own.

federal district courts sitting in Illinois. That case also reviews earlier decisions of the Court and correctly concludes that unfair competition may occur with respect to products related to expired or invalid patents. However the Court nowhere says, nor do the cases discussed and summarized therein say, that merely copying and utilizing the teachings of an invalid patent in and of itself constitutes unfair competition in Illinois.

Petitioner pretends that the cases do so state. To reach that conclusion petitioner ignores the facts and the import of the cases and finds it necessary to stretch the language of the court and of the cited cases to manufacture its nonexistent and trumped-up constitutional issue. It is, of course, a well established principle of constitutional law and construction and a firmly entrenched rule of this Court that a controversy will be considered in a manner which will avoid a constitutional question if it is possible to do so. *Communist Party* v. *Catherwood*, 367 U. S. 389, 392; *Hurd* v. *Hodge*, 334 U. S. 24, 30; *Neese* v. *Southern Railway Co.*, 350 U. S. 77, 78.

Certainly it is both possible and proper to do so here.

Since the courts below were correct in their understanding and in their application of the law of Illinois, the only question which the petition can serve to raise is whether the evidence supports the findings made by the District Court in which the Court of Appeals concurred.

It is not the proper function of a writ of certiorari to review questions of fact or of the sufficiency of evidence to support a court's findings. This Court will not issue a writ for such a purpose, as it has repeatedly stated, *Southern Power Co. v. North Carolina Public Service Co.*, 263 U. S. 508.

In the case of *General Talking Pictures Corporation* v. *Western Electric Co.*, 304 U. S. 175, 178, in language especially apt here this Court stated:

> "There is nothing in the lower courts' decision on either of the added questions to warrant review here. Whether respondents acquiesced in the infringement and are estopped depends upon the facts. Granting of the writ would not be warranted merely to review the evidence or inferences drawn from it. * * * Moreover, the decision on that point rests on concurrent findings. They are not to be disturbed unless plainly without support. * * * There is evidence to support them."

This Court emphasized the point that concurrent findings are to be disturbed only with the greatest reluctance in the case of *Graver Tank & Mfg. Co.* v. *Linde Air Products Co.*, 336 U. S. 271, 275 saying:

> "A court of law, such as this Court is, rather than a court for correction of errors in fact finding, cannot undertake to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional showing of error. * * *
>
> "No such showing is made."

Petitioner then seeks to find a conflict in the law of the Second and Seventh Circuits. In doing so it completely ignores the fact that the judgment affirmed by the Court of Appeals was based upon a record which established defendant's detailed and deliberate copying of respondent's pole lamp long before any patents ever issued. Petitioner's copying, its failure to mark its copies as its own, its creation of actual customer confusion—all of these acts occurring long before any patents, design or mechanical, issued, contributed to the conclusion that Sears was guilty of unfair competition under the local law.

Petitioner is consistent when it also ignores the facts and the law of the Second Circuit cases which it asserts conflict with the decision in this case.

Thus both in the case of *Hygienic Specialties Co.* v. *H. G. Salzman, Inc.*, 302 F. 2d 614 (CA 2, 1962) and in the case of *G. Ricordi & Co.* v. *Haendler*, 194 F. 2d 914 (CA 2, 1952) the Court specifically indicated that unfair competition may occur with respect to the use by a defendant of the work of a party formerly covered by a patent or copyright. That, of course, is the law as announced by this Court and as applied in Illinois.

On the facts, it is to be observed that in the *Hygienic* case the defendant's products were "prominently" labelled while in the *Ricordi* case defendant clearly "gave notice that it was his product." Sears' products were "not labelled" as its own.

In the *Hygienic* and *Ricordi* cases there was no evidence of actual confusion, the Court in the *Hygienic* case making that finding specifically at page 620. In the instant case Sears' activities not only were likely to cause confusion, but they actually did cause confusion. That the District Court found and the Court of Appeals specifically agreed with such finding.

A most significant factual difference, deliberately omitted by petitioner, is that the course of conduct of Sears, unlike that of the defendants in the *Hygienic* and *Ricordi* cases, commenced and was followed long before patents ever came into existence. Certainly redress for such activities in the absence of existent or expired patent rights, cannot and does not conflict either with the federal law or with the Second Circuit cases cited by the petitioner.

The petitioner pretends that in the present case it is perpetually enjoined under the guise of unfair competition which consists merely in the copying of a patent which has been judicially terminated. It pretends that the public generally has the right to copy the subject matter of an expired patent and that the decree in this case enjoining

petitioner from "unfair competition" in effect grants to the respondent under interpretation of state law a monopoly comparable to a patent monopoly but not granted by the federal government and not limited in term. It seems at least unusual that at no time in its petition is there mention of either of the leading decisions by this Court which bear strongly upon the very contention which petitioner puts forward.

The right of the public to make the subject matter of an expired patent has long been settled. The leading cases on this point are undoubtedly *Singer Mfg. Co.* v. *June Mfg. Co.*, 163 U. S. 169 and *Kellogg Co.* v. *National Biscuit Co.*, 305 U. S. 111. While nothing in the decision of the courts below in this case is inconsistent with or inharmonious with those decisions by this Court, petitioner's very contention is directly contrary to both decisions.

In both the *Singer* and *Kellogg* cases it was held that where patented articles have acquired a generic name because of the descriptive nature given to them during enjoyment of the patent monopoly, the public has the right to describe such machines or products by their generic names as well as to make the patented articles when the patents have expired.

Yet in the *Singer* case, it was expressly held by this Court that although the defendant had the right to make sewing machines of the expired patents and to refer to them by the word "Singer", which had become generic, such was

> "subject, however, to the condition that the name must be so used as not to deprive others of their rights or to deceive the public, and, therefore, that the name must be accompanied with such indications that the thing manufactured is the work of the one making it *as will unmistakably inform the public of that fact.*" [163 U. S. 200, Emphasis ours.]

So also in the *Kellogg* case, this Court held that because of patent expiration and generic description, the defendant had the right to make "shredded wheat biscuits", to call them "shredded wheat" and to make them in the pillow form as made by plaintiff in its patented machines and patented designs which at that time had expired. Nevertheless, the Court said:

> "The question remains whether Kellogg Company in exercising its right to use the name 'Shredded Wheat' and the pillow-shaped biscuit, is doing so fairly. Fairness requires that it be done in a manner which reasonably distinguishes its product from that of plaintiff." [305 U. S. 120.]

It was decided in the *Kellogg* case that defendant was exercising its right fairly, for as this Court pointed out defendant sold its product only in cartons which were "distinctive" and which did not resemble plaintiff's "either in size, form, or color". The Court said:

> "And the difference in the labels is striking. The Kellogg cartons bear in bold script the names 'Kellogg's Whole Wheat Biscuit' or 'Kellogg's Shredded Whole Wheat Biscuit' so sized and spaced as to strike the eye as being a Kellogg product." [305 U. S. 120.]

It is submitted that the decisions in the *Singer* and *Kellogg* cases are directly contrary to the petitioner's contentions and that the decision which the petitioner attacks is completely in harmony with those leading decisions of this Court.

Petitioner committed its acts of unfair competition not after patent monopolies had been enjoyed by respondent and had expired, but even before any patent rights existed. Petitioner was not therefore exercising the right of the public to utilize the teachings of an expired patent nor even to utilize the teachings of a patent which petitioner

was advised was invalid. Even if petitioner had the right to make pole lamps which were similar in appearance to those later described in respondent's patents, such would give petitioner no right to copy respondent's products in detail and to fail to inform the public as to the origin of its goods. It would seem to be absolutely clear from the decisions of this Court in the *Singer* case and in the *Kellogg* case that petitioner was under an obligation to label the products or mark them as to origin in exercising its rights fairly. Petitioner did not at any time mark its pole lamps so as to "unmistakably inform the public" of the fact that such were made and sold by Sears and not by Stiffel. Never at any time did petitioner compete in the sale of pole lamps fairly within the definitions of fairness which this Court has repeatedly asserted. In fact as its petition clearly shows, petitioner feels that it should be exempt from the "principles of old fashioned honesty"[7] as a standard of business conduct.

In this case, petitioner has persistently twisted, turned, squirmed and evaded the principles of fair business conduct and even in its present petition it ignores the deliberate manner in which it in fact confused the public by its sales of exact copies of respondent's original and commercial pole lamps without identifying itself as the source of its copies.

Petitioner has received no more than it deserves by the judgment of the District Court as affirmed by the Court of Appeals, enjoining petitioner from its course of conduct of "unfairly competing with plaintiff" in the manufacture and sale of pole lamps.

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7. *Day-Brite Lighting, Inc.* v. *Compco Corporation*, *supra* at page 30.

CONCLUSION.

For the foregoing reasons, the petition for writ of certiorari should be denied.

Respectfully submitted,

WARREN C. HORTON,
MARSHALL W. SUTKER,
208 S. LaSalle Street,
Chicago 4, Illinois,

MAX R. KRAUS,
105 W. Adams Street,
Chicago, Illinois,
Attorneys for Respondent.